

**GOVERNMENT OF THE DISTRICT OF COLUMBIA
OFFICE OF THE INSPECTOR GENERAL**

DISTRICT OF COLUMBIA

E911/E311 SPECIAL REVENUE FUND

**Schedule of Revenues and Expenditures
and Independent Auditor's Report
Fiscal Year Ended September 30, 2007**



**CHARLES J. WILLOUGHBY
INSPECTOR GENERAL**

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Inspector General

Inspector General



June 20, 2008

The Honorable Adrian M. Fenty
Mayor of the District of Columbia
Mayor's Correspondence Unit, Suite 316
1350 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

The Honorable Vincent C. Gray
Chairman
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 504
Washington, D.C. 20004

Dear Mayor Fenty and Chairman Gray:

As part of our contract for the audit of the District of Columbia's general purpose financial statements for fiscal year (FY) 2007, Bert Smith and Company (BS&C) submitted the enclosed final report on the District of Columbia E911/E311 Special Revenue Fund (Fund).

BS&C opined that the financial statements present fairly, in all material respects, the revenues and expenditures of the Fund for the year ended September 30, 2007, in conformity with accounting principles generally accepted in the United States of America. In accordance with *Government Accounting Standards*, BS&C also has issued its report on consideration of the Fund's internal control over financial reporting and on its tests of the Fund's compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.

If you have questions or need additional information, please contact William J. DiVello, Assistant Inspector General for Audits, at (202) 727-2540.

Sincerely,

A handwritten signature in black ink that reads "Charles J. Willoughby". The signature is fluid and cursive, with the first and last names being the most prominent.

Charles J. Willoughby
Inspector General

Enclosure

CJW/ws

cc: See Distribution List

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FY 2007 E911/E311 Special Revenue Fund Financial
Statements and Independent Auditor's Report
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**DISTRICT OF COLUMBIA GOVERNMENT
E911/E311 SPECIAL REVENUE FUND
SCHEDULE OF REVENUES AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2007**

**BERT SMITH
& Co.**

Certified Public Accountants and Management Consultants

**DISTRICT OF COLUMBIA GOVERNMENT
E911/E311 SPECIAL REVENUE FUND**

FINANCIAL STATEMENT

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INDEPENDENT AUDITOR'S REPORT

To the Mayor and Council of the
Government of the District of Columbia

We have audited the schedule of revenue and expenditures of the District of Columbia Government's E911/E311 Special Revenue Fund (Fund). This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on the financial statement based on our audit. The prior year summarized comparative information has been derived from the Fund's 2006 financial statements and, in our report dated January 26, 2007 we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As indicated in Note 2, the accompanying statement is not intended to be a complete presentation of the financial position of the Fund or the District of Columbia as of and for the year ended September 30, 2007.

In our opinion, the schedule of revenue and expenditures referred to above, present fairly, in all material respect, the revenues and expenditures of the Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 5, 2008 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

March 5, 2008
Washington, D.C.

DISTRICT OF COLUMBIA E911/E311 FUND
SCHEDULE OF REVENUE AND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2007
(With Comparative Totals for 2006)

	<u>2007</u>	<u>2006</u>
REVENUES		
User Fees	\$ 12,558,283	\$ 12,752,903
EXPENDITURES		
Personnel Services	10,095,293	11,505,647
Professional Services	1,652,106	549,756
Equipment	217,323	800,400
Telephone Company Charges	997,067	2,041,151
Office Supplies	151,713	182,622
Utilities, Communications and Energy	-	519,784
Total Expenditures	<u>13,113,502</u>	<u>15,599,360</u>
Excess Deficiency of Revenues under Expenditures	(555,219)	(2,846,457)
Fund Balance Beginning of the Year	6,335,407	9,598,142
Accrual Adjustment		(416,278)
Fund Balance End of the Year	<u>\$ 5,780,188</u>	<u>\$ 6,335,407</u>

The accompanying notes are an integral part of this schedule.

**DISTRICT OF COLUMBIA GOVERNMENT
E911/E311 SPECIAL REVENUE FUND**

**NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2007**

NOTE 1: DESCRIPTION OF FUND

The Emergency and Non-Emergency Number Telephone Calling Systems Fund (E911/311 Fund) was created on August 11, 2000 pursuant to the Emergency and Non-Emergency Telephone Calling Systems Fund Act of 2000 (the "Act"). The Fund is a special revenue fund of the District of Columbia (the "District") and is funded by user fees imposed by the Act. The user fees are collected from all persons with local exchange service in the District. Each local exchange carrier collects the user fees from their subscribers and is responsible for remitting those fees to the District on a quarterly basis. Effective October 1, 2004, the District of Columbia changed the fee imposed upon all local exchange carriers to a fee on local exchange carriers.

As stipulated by the Act, the Fund is to be used solely to defray personnel and non-personnel costs incurred by the District and its agencies and instrumentalities in providing an E911/311 system and to cover direct costs incurred by wireless carriers in providing enhanced E911/311 service. The Fund is not to be used for any other purpose. The Office of Unified Communication, which became an independent agency in Fiscal Year 2005, is responsible for the administration of the Fund.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The accompanying schedule presents only the revenues and expenditures of the E911/E311 Special Revenue Fund (the Fund). The minimum combination of financial statements required to qualify a report as basic financial statements and which are needed for fair presentation of an entity in conformity with generally accepted accounting principles (GAAP) are not presented. Furthermore, the accompanying schedule is not intended to present the financial position or changes in financial position of the Fund or the District of Columbia as a whole in conformity with GAAP.

Measurement Focus

All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified basis of accounting. With this measurement focus, generally, only current assets and current liabilities are included on the balance sheet. Operating statements of these funds present increases (revenues and other financial sources) and decreases (expenditures and other financing uses) in net current assets.

Basis of Accounting

The schedule of revenue and expenditures was prepared using the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available when collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, any revenues collected within 60 days after year-end is considered available to pay liabilities of E911/E311 Fund. Expenditures are recorded when the liability is incurred.

Estimates

The preparation of the financial statement in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that effect certain reported amounts and disclosures. Accordingly actual results could differ from those estimates.

NOTE 3 PERSONNEL COSTS

Personnel costs totaling \$2,651,138 that was charged to the Fund during the fiscal year was transferred from the Fund to the District's General Fund at year-end to preserve the Fund's fund balance.

NOTE 4 CONTINGENCY

In Fiscal Year 2004, the Public Service Commission concluded that the District is obligated to pay a local exchange carrier (LEC) \$1,449,060 as a result of a rate increase for services performed since May 31, 2002. The District appealed the decision to the Court of Appeals stating that no judgment should have been entered until the Public Service Commission establishes a tariff rate for the E911 service going forward. The District is waiting on a decision from the Court of Appeals. The District's liability is likely to be at least \$440,000, but is unlikely to exceed the \$1.45 million entered by the Superior Court plus interest.

A formal case has been filed with the Public Service Commission to determine a tariff rate for the E911 service provided by Verizon to the District from April 2004 to the present, as well as prospectively. Since April 2004, the District has been paying \$60,000 per month for these services. The outcome is likely to be that the District is found liable for at another \$200,000 per year for the E911 service provided by Verizon since April 2004. The District's liability is unlikely to exceed about \$900,000 per year.

As of September 30, 2007, the District reduced the accrual on the books to \$2.2M as a result of the new developments with the case. The Fiscal Year 2006 financial statements has been adjusted to reflect the adjustment in the accrual.



**INDEPENDENT AUDITOR'S REPORT
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Mayor and Council of the
Government of the District of Columbia

We have audited the schedule of revenue and expenditures of the District of Columbia Government E911/E311 Special Revenue Fund (Fund) for the year ended September 30, 2007, and have issued our report thereon dated March 5, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Fund's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over financial reporting.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency or combination of control deficiencies that, adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the Mayor and the Council of District of Columbia Government and is not intended to be and should not be used by anyone other than these specified parties.

Bert Smith & Co

March 5, 2008
Washington, D.C.